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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY



**McCaw® Cellular
Communications, Inc.**

Gerard Salemmme
Senior Vice President - Federal Affairs

May 13, 1994

DOCKET FILE COPY ORIGINAL

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Implementation of Section 309(j) of the
Communications Act - Competitive Bidding,
PP Docket No. 93-253; Ex Parte Filing

Dear Mr. Caton:

In the Second Report and Order in the above-captioned docket, the Commission indicated that it would address in a separate order the applicability of competitive bidding to certain cellular radio applications (involving "unserved areas") filed prior to July 26, 1993. Second Report and Order at n.55. Consistent with the conclusion that mutually exclusive initial applications in the Public Mobile Service generally will be subject to competitive bidding, Second Report and Order at ¶ 61, McCaw believes the public interest best will be served by awarding all mutually exclusive cellular unserved area authorizations, regardless of the application filing date, by means of competitive bidding.

In connection with the Commission's consideration of this issue, enclosed are maps showing the unserved areas in certain markets and an analysis of the potential value of these areas. These areas were selected by McCaw for evaluation because numerous applications were filed to serve these markets, indicating interest among potential bidders in these properties. The range of values established by McCaw is based on estimated population of the unserved areas, the prices associated with recent agreements involving the sale of cellular properties in nearby markets, and the strategic importance of the area in terms of highways, proximity to the core of adjacent markets and the size of the unserved area.

This information suggests that the public interest best will be served by promptly adopting and implementing procedures for the award of these licenses by

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means of competitive bidding. Competitive bidding ensures that the authorizations will be granted to the parties placing the highest value on them. Such parties will have the greatest incentives to construct the facilities as quickly as possible and promptly initiate service to the public. The process will lead to the most efficient granting of licenses, with an expectation that those parties offering the highest bid will be most interested in installing facilities and collecting the revenues associated with the provision of service. Adoption of competitive bidding rules and procedures for such applications thus will bring the broadest benefit to the public in the shortest period of time.

In contrast, the Commission is well aware of the problems resulting from cellular lotteries. Throughout large regions of the country, cellular service to the public was delayed while lottery winners scrambled to obtain necessary financing to construct their proposed systems or to sell off their interests to carriers that in fact were legitimately interested in providing service to the public. Many lottery winners built minimal systems sufficient only to comply with construction deadlines but which did little to meet consumer needs. In numerous markets, cellular service was made broadly available only after an entity committed to providing ubiquitous service purchased the license in the secondary market. In effect, the lottery system simply moved the auction process into the secondary market, delaying service and denying the public the benefit of the true value of the license.

At present, there are pockets of population scattered throughout the country without access to competitive cellular service offerings. Prompt adoption of competitive bidding procedures will help to resolve this situation. Such procedures -- in lieu of lotteries -- will most rapidly and effectively ensure that all members of the public have full access to available cellular offerings.

The Second Report and Order suggests that competitive bidding will be applied to any mutually exclusive applications for cellular unserved areas filed after July 26, 1993. Extension of such procedures to applications filed prior to that date likewise would promote the objectives of Section 309(j) of the Communications Act. See Second Report and Order at ¶ 61. In light of the fact that Congress has determined that competitive bidding is the best licensing method to bring competitive cellular service

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to unserved areas, there appears to be little justification for drawing a distinction, for purposes of the award of licenses, between applications filed before July 26, 1993, and those filed after that date.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Gerard Salemmme", written in a cursive style.

R. Gerard Salemmme

Enclosures

cc: Chairman Reed E. Hundt
Commissioner Andrew C. Barrett
Commissioner James H. Quello
Mr. Robert Pepper
Mr. Richard Metzger
Mr. Donald H. Gips

Valuation of Unserved Areas

McCaw's acquisition and regulatory departments have estimated the value at auction of 13 unserved cellular properties where mutually exclusive applications were filed prior to July 26, 1993. These markets were selected because the volume of unserved area applications filed indicates substantial interest in these properties.

<u>Market Name</u>	<u># of Applications</u>
Los Angeles (B)	517
San Francisco (B)	277
St. Louis (A)	462
Minneapolis (A)	494
Denver (B)	278
Seattle (B)	146
Kansas City (B)	475
Phoenix (B)	288
ID-3 (A)	152
MN-4 (A)	163
MT-3 (A)	154
TN-8 (A)	163
WY-5 (A)	477

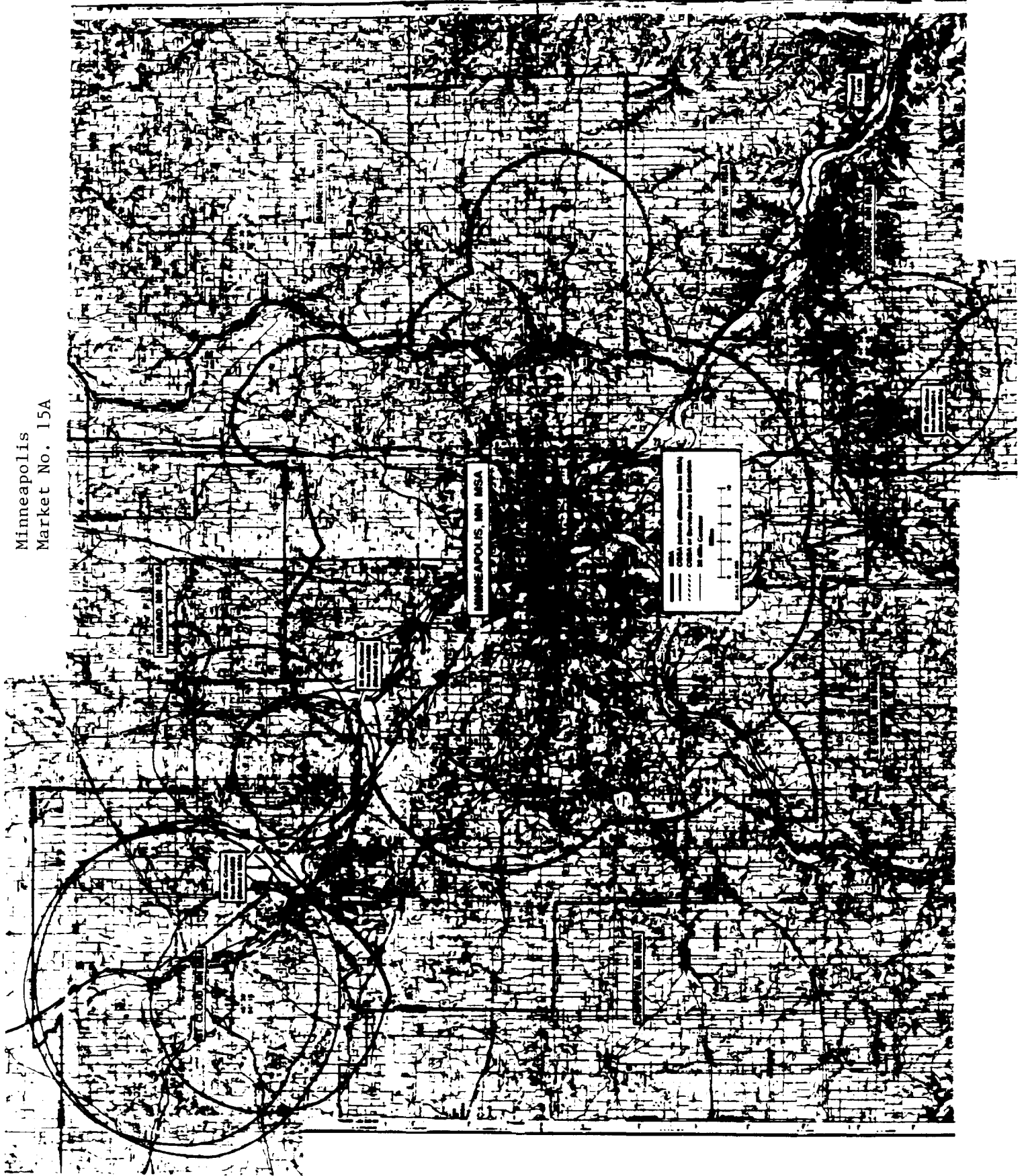
The estimated values were based upon the following factors:

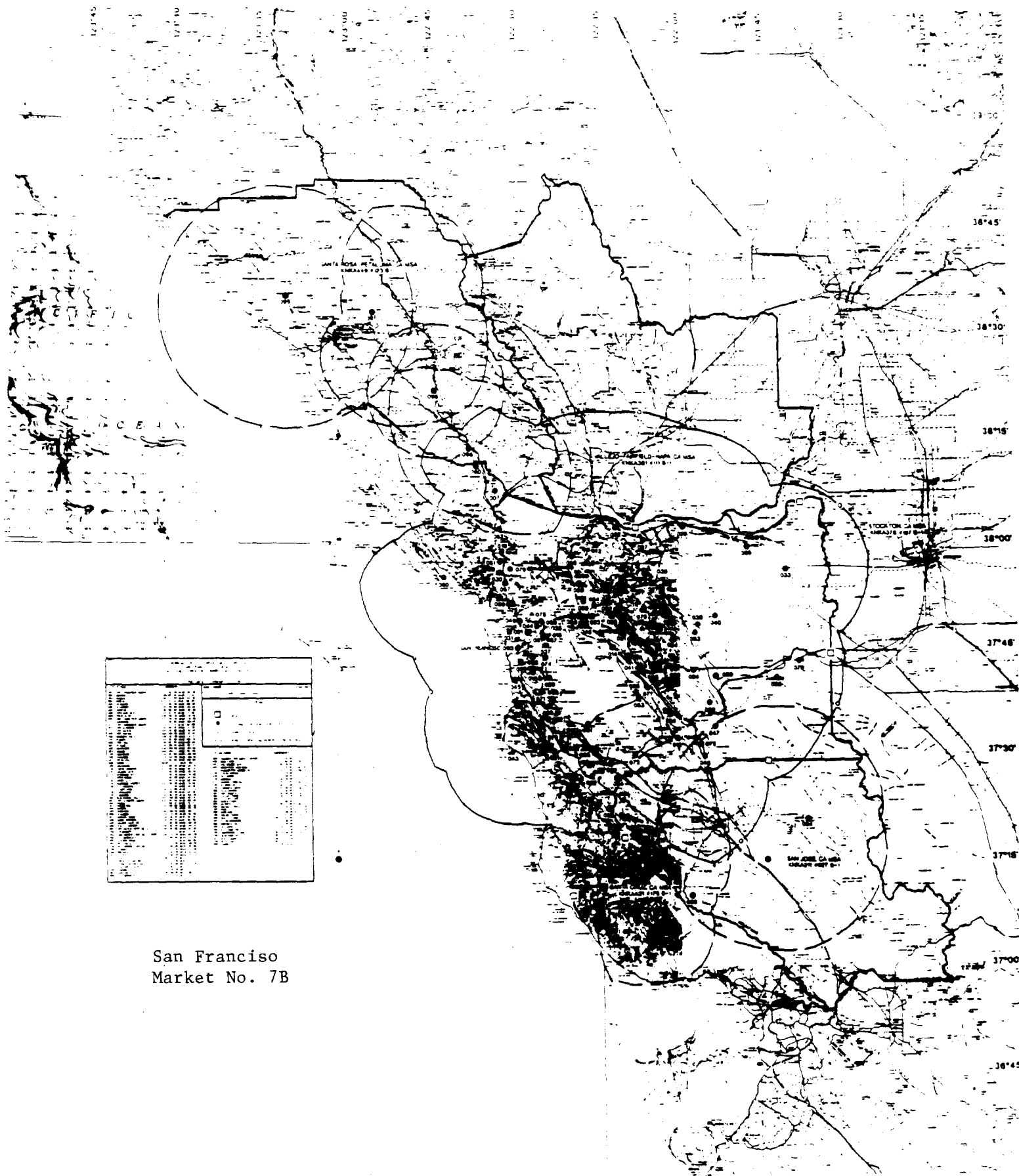
- The population located in each unserved area (based on the 1990 census data for cities and towns plus an estimate of rural population in the area).
- The price "per POP" paid for RSAs adjacent or near to the unserved area. For example, the price "per POP" of the Minneapolis, MN A-block unserved area was based on recent sales of RSAs immediately to the north, east and south of the market.
- The strategic value of the unserved area to both adjacent and incumbent operators, including such factors as:
 - > The presence of important highways, such as the unserved portions of Interstate 10 and Interstate 15 linking Los Angeles to Phoenix and Las Vegas respectively;
 - > The proximity of the area to the core of the adjacent MSA;
 - > The size of the unserved area; and
 - > whether the area is necessary to provide "seamless" coverage to customers from neighboring markets.

- The marketing implications of a neighboring operator being able to provide service to the area, i.e., the competitive advantage conferred on that operator by being able to offer a larger and more seamless coverage area ("footprint") to existing and prospective wireless customers when compared to the "footprints" of existing and future competitors.
- The relatively low incremental expense to neighboring operators of extending service into adjacent unserved areas.
- General growth rates for wireless subscribership and roaming.
- The development and deployment of new wireless services such as data.

The valuation was based on per POP prices attributable to each unserved area which took into account the factors listed above. These prices ranged from \$30 to \$50 "per POP" (for unserved RSA and less strategic MSA areas) to \$180 "per POP" (for more strategic MSA areas). A significant portion of the estimated value is attributable to the two most strategic MSA areas. We have attempted to estimate both population and "per POP" values conservatively, and have compared those values to recent transactions as a reference point wherever possible. Even when only these 13 markets are considered, we estimate that unserved area auctions will attract bids totalling between twenty-five to thirty-two million dollars.

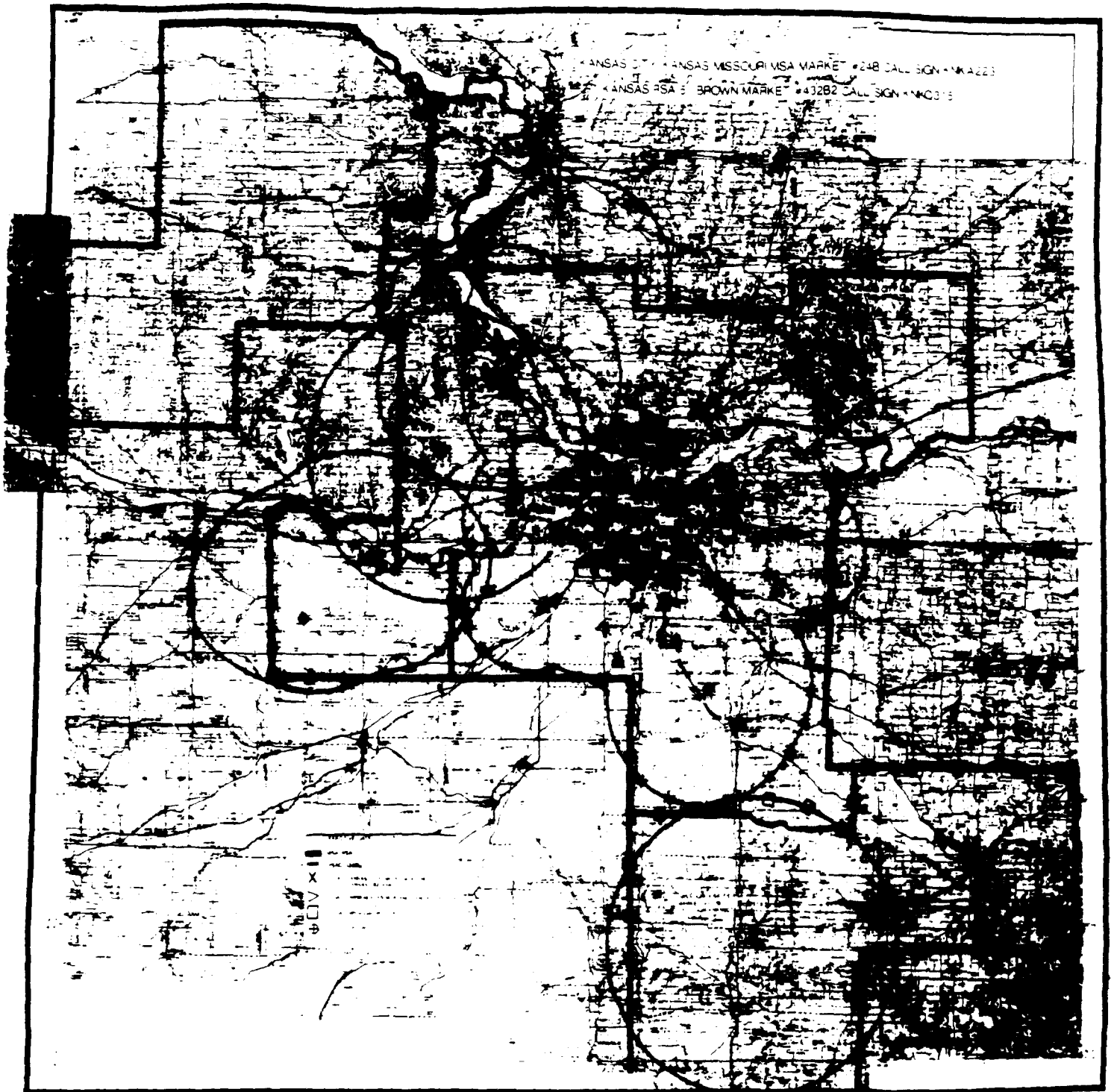
Minneapolis
Market No. 15A





San Francisco
Market No. 7B

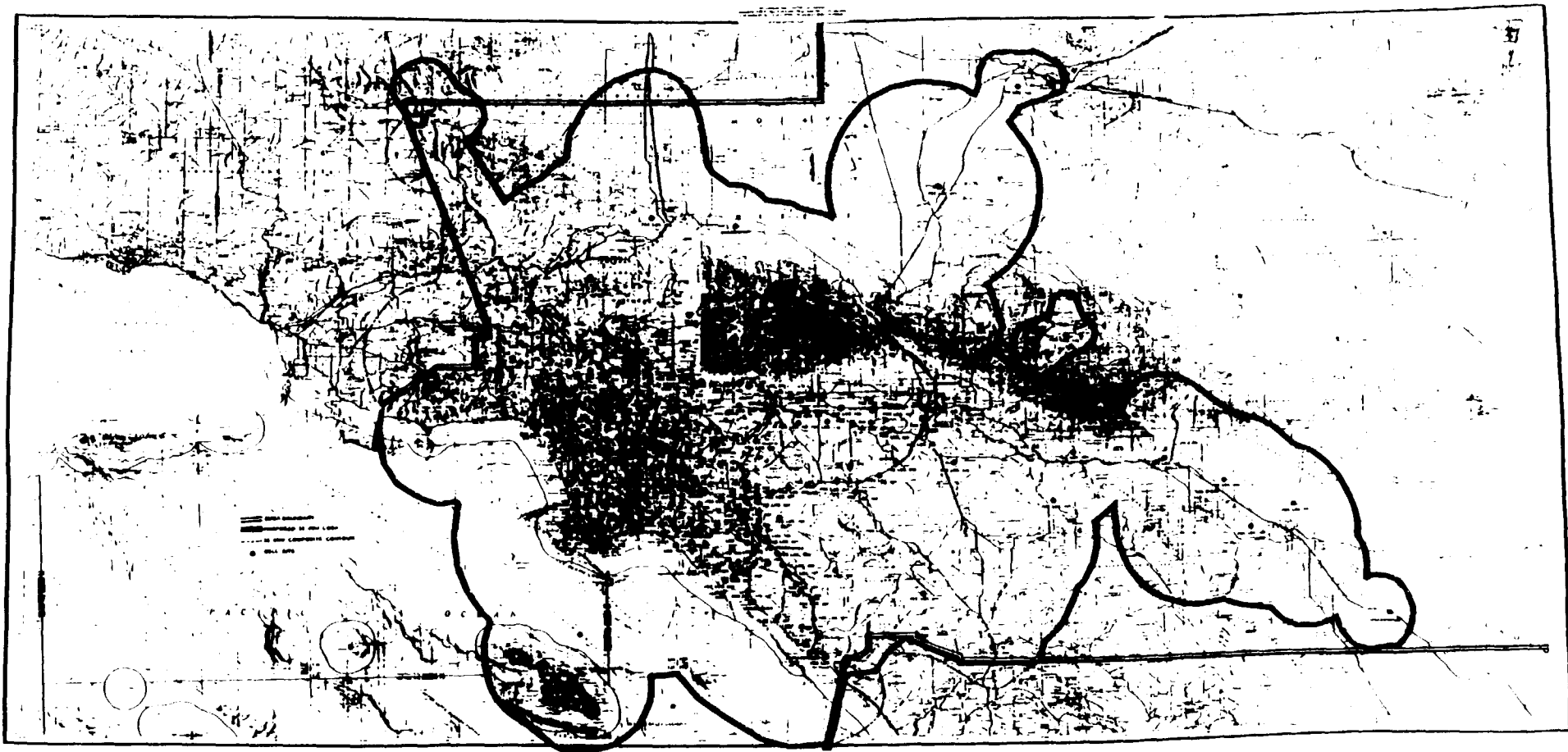
Kansas City
Market No. 24B



Los Angeles
Market No. 2B

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SYSTEM UPDATE, PART 1



NOTICE

LASLP is considering filing
an alternative coverage showing.